The Impact of the September 11th Events on Ontario's Attractions

--Month of September--

Final Report

Ontario Ministry of Tourism, Culture and Recreation

October 23, 2001

PRICEWATERHOUSECOOPERS

TABLE OF CONTENTS

Introduction ____ *1*

Methodology ____ *1*

Sector Attendance ____ *2*

Historical Analysis of Attendance Data ____ **2**

Longitudinal Analysis of Attendance Data ____ **3**

Visitor Origin ____ **4**

Detailed Analysis of Attendance Shifts ____ *5*

Distribution of Attendance Shifts ____ **5**

Attendance Gains ____ **6**

Attendance Declines ____ **7**

Estimation of Attendance and Revenue Losses For the Attractions Sector in the Month of September Due to September 11th Events ____ *8*

Estimated Attendance Losses Due to September 11th Events ____ **8**

Estimated Revenue Losses Due to September 11th Events ____ **9**

Meetings/Conventions/Corporate Events ____ *9*

Total Event Cancellations ____ **10**

Estimation of Event, Participant and Revenue Losses in the Month of September Due to September 11 ____ **10**

Conclusion ____ *11*

THE IMPACT OF THE SEPTEMBER 11TH EVENTS ON ONTARIO'S ATTRACTIONS – MONTH OF SEPTEMBER

Introduction

The Ontario Ministry of Tourism, Culture and Recreation (MTCR) has implemented a research program to examine the impacts that the September 11th terrorist events in the U.S. have had on the tourism industry in the province.

As part of this program, the MTCR commissioned PricewaterhouseCoopers LLP to conduct a study of the attractions sector to obtain a clear picture of the immediate impact of the events on Ontario's attractions. More specifically, the objective of this study was to examine attendance shifts for attractions in four major regions of Ontario in the latter part of September and to estimate total visitor and revenue losses attributable to the terrorist events for the month of September.

Methodology

PricewaterhouseCoopers conducted a telephone survey of attractions in Ontario between October 4 and October 11, 2001. The survey population consisted of the attractions in the Ministry's Tourism Establishments and Stakeholders (TES) database open during September and/or October 2001 and located in one of four regions (i.e., Toronto City, Ottawa, Essex and Niagara Region). Attractions that were excluded from the survey population included those closed before September 11th, the Ministry's own attractions, private art galleries and non-managed attractions such as Niagara Falls and the Byward Market in Ottawa. This yielded a total of 170 attractions in the survey population.

A one-page pre-survey document was sent by fax or e-mail to all establishments in the population with a fax number or e-mail address. This document introduced the survey and asked respondents to gather the attendance statistics that would be collected in the telephone survey ahead of time.

Usable responses were obtained from 87 of the 170 attractions during the week-long field period for a final response rate of 51%. The breakdown of the respondents by attraction type and region is shown in the table below. Results by region and attraction type cited in this report should be interpreted with caution due to the small sample sizes.

Essex	13	Historic attraction	17
Niagara	32	Museum/gallery	30
Ottawa	16	Performing arts & entertainment	7
Toronto	26	Wineries	15
Total	87	Other	18
		Total	87

The survey data was weighted up to the population using the daily attraction capacity specified in the TES database. Weighting was done by type and by region so that the total capacity of the attractions in each type by region category in the sample matched that of the population. In the few cases where the daily capacity was missing in TES, the median capacity for an attraction of the same type in the same region was substituted prior to calculating the weights.

In developing sector-wide estimations, missing items (e.g., attendance, revenues) within a case had to be estimated. For attendance figures, the capacity of the attraction with the missing data had to be taken into account. That is, where the capacity of the attraction was known, the attendance was estimated on the basis of the attendance for a similar attraction (i.e., same type, region and capacity) in the survey database. For lost revenues, missing cases were estimated by using the median lost dollars per visitor for other attractions of that type and in that location and multiplying by the visitors lost for the specific attraction.

The study findings are presented below. Overall sector attendance estimates for 2001 and 2000 are presented first, followed by a more detailed analysis of attendance shifts. An estimation of visitor attendance and revenue losses due to the September 11th events is than provided, followed by a look at losses from meetings, conventions and corporate events.

Sector Attendance

Historical Analysis of Attendance Data

Exhibit 1 provides a historical comparison of attendance for the attractions sector (as defined above). Shown is the total estimated attendance for the attractions in the survey population for August, September 1 to 10, September 11 to 30 and October of this year, compared with last year.

The results indicate that total attendance for the sector was up 5% over last year in August and about the same as last year in the first part of September. In the September 11 to 30 period, however, total attendance dropped by 21% or more than 357,000 visitors over the same time last year.

The forecasted attendance for October is just 3% under last year, which shows that, on the whole, the sector is generally optimistic about the future and feel that volumes will start to return to normal.

Exhibit 1 - Total Visitor Attendance for Attractions Sector[1]

Total Attendance 2001	3,648,253	972,598	1,320,064	2,433,142[2]
Total Attendance 2000	3,473,796	975,454	1,677,642	2,513,736
Difference 2001-2000	174,457	-2856	-357,578	-80,594
% change 2001/2000	+5%	-0.3%	-21%	-3%

[1] Attendance includes 3 attractions open in 2001, but closed in 2000.
[2] As forecasted by respondents.

Exhibit 2 shows the percentage change in *total* attendance this year over last year for the different regions and types of attractions in the four time periods being examined. With a few exceptions (e.g., Essex region, performing arts attractions), results for the September 11 to 30 period were far worse than the preceding periods for all types and regions. In other words, large attendance declines were generally seen in the latter part of September, compared with increases or small declines in the preceding periods. In general, the declines are expected to continue into October, although the drops are expected to be much less severe.

The results for Essex and performing arts attractions appear to buck the trend (i.e., only small drops experienced in September 11-30 and increases expected in October), but this is due primarily to a few large attractions that opened for the first time in 2001 (i.e., no attendance in 2000).

Exhibit 2 - % Change in Total Attendance (01/00) By Type and By Region

Historic Attraction	-2%	-2%	-34%	-13%
Museum / Gallery	+2%	+11%	-24%	-4%
Performing Arts & Entertainment*	+8%	-9%	-8%	+9%
Winery	+5%	-3%	-45%	-18%
Other	+10%	-1%	-18%	-3%
Essex*	-5%	+5%	-5%	+54%
Niagara Region	+13%	-0.2%	-24%	-8%
Ottawa	+1%	+15%	-15%	-12%
Toronto	+0.2%	-6%	-22%	-2%

* The large increase forecasted in October results from two large Essex attractions that were closed in 2000 but open in 2001. In fact, 8 of the 13 attractions in Essex are predicting attendance losses for October, while three feel that attendance will be the same as in 2000. One of these large attractions that opened in 2001 is a Performing Arts attraction, which softens the results for this group as well. Generally, all results should be interpreted with caution due to the small sample sizes.

Longitudinal Analysis of Attendance Data

Exhibit 3 takes a closer look at the 2001 attendance figures for September 11-30, compared with September 1 to 10 of the same year. The table shows that the daily visitation rate or number of visitors per day for the sector as a whole dropped by 32% between the first and last part of the month. Note that at least part of this decline is due to a natural drop-off in tourism as a result of seasonality (i.e., moving into the shoulder season). For example, in the previous year, the daily visitation rate in the latter part of September was down 14% from the first part of the month.

Exhibit 3 - Average Daily Attendance for Attractions Sector - September 2001 and September 2000

# of Days	10		20
Total Attendance 2001	972,598		1,320,064
Visitors / Day 2001	97,260		66,003
% Change in Daily Attendance (Sept 11-30/Sept 1-10, 2001)		-32%	
Total Attendance 2000	975,454		1,677,642
Visitors / Day 2000	97,545		83,882
% Change in Daily Attendance (Sept 11-30/Sept 1-10, 2000)		-14%	

Exhibit 4 shows the percentage change in daily visitation rates for September 11 to 30th over the first part of September by location and type of attraction. The greatest declines were seen for attractions in Essex and for wineries.

Exhibit 4 – % Change in Daily Attendance September 11-30 Over September 1-10 By Type and By Region

Historic Attraction	-41%	Essex	-43%
Museum / Gallery	-39%	Niagara Region	-33%
Performing Arts & Entertainment	+5%	Ottawa	-36%
Winery	-59%	Toronto	-27%
Other	-35%		

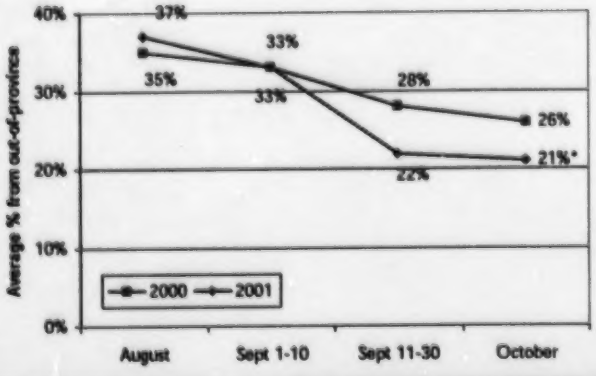
Note: Results should be interpreted with caution due to the small sample sizes.

Visitor Origin

Exhibit 5 shows the average percentage of visitors originating from out-of-province among the attractions surveyed for the four periods being examined. It should be kept in mind that about half of all attractions were unable to answer this question, and many who did answer it were giving their best guess rather than basing responses on actual statistics on visitor origin. This makes it difficult to estimate accurate total out-of-province attendance figures for the sector, so average results across responding attractions are provided instead.

The results suggest that respondents feel out-of-province visitation was more profoundly affected by the events of September 11th. While the average proportion of out-of-province visitors was about the same as last year in August and September 1 to 10, this percentage dropped in the latter part of September and is forecasted to remain below 2000 levels in October. In other words, the average proportion of visitors from out-of-province is currently below normal.

Exhibit 5 – Visitor Origin – Percent from Out of Province



* As forecasted by respondents

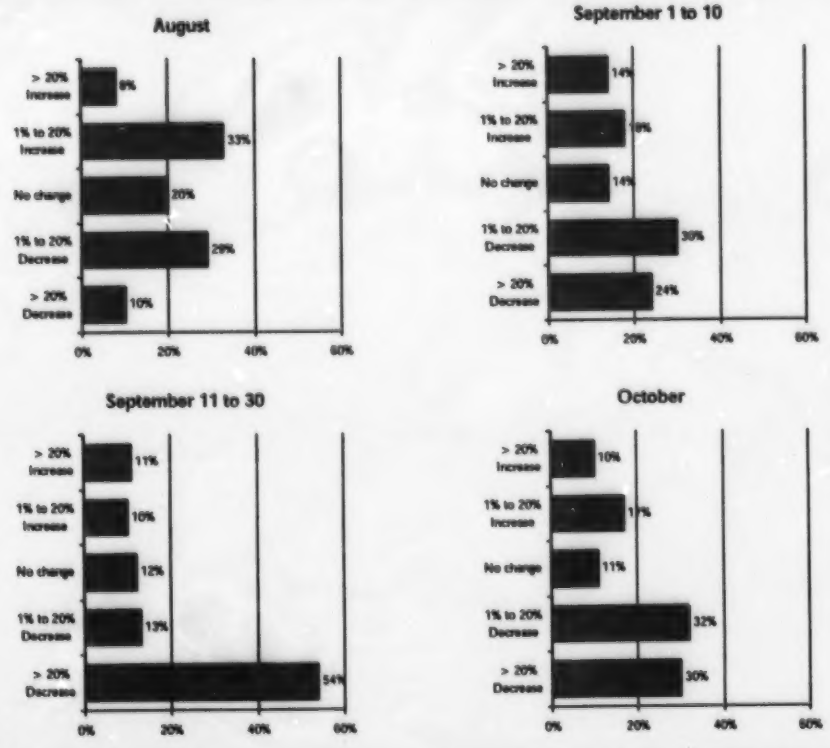
Detailed Analysis of Attendance Shifts

Distribution of Attendance Shifts

Exhibit 6 shows the distribution of attendance shifts (2001 over 2000) across the four periods among responding attractions. This better illustrates the nature and extent of the shifts experienced by attractions over time. Unlike the sectoral analysis in Exhibit 1, this analysis is not driven by the results of the larger attractions.

The exhibit shows that 41% of attractions experienced an increase in attendance in August, while 39% saw a decrease. In the first part of September, declines had already started to become more pronounced, with 54% of individual attractions experiencing lower attendance than the previous year. This suggests that Canada's economic difficulties may already have started to hurt some attractions. In the September 11 to 30 period, approximately two-thirds (67%) of attractions experienced drops in visitation, and 54% saw declines of more than 20% over the previous year. For October, the losses will continue, but to a lesser degree for many attractions.

Exhibit 6 – Distribution of Attendance Shifts (2001/2000)



Note: n = 80. October shifts are as forecasted by respondents.

Exhibit 7 shows a similar breakdown of the attendance shifts for September 11 to 30 for each type of attraction and each region. Proportionally, more performing arts and Toronto attractions experienced drops in the latter part of September. Interestingly, almost half of historical attractions saw no change in visitor volumes during this period, while almost a third of Ottawa attractions reported fairly large visitor gains over the previous year.

Exhibit 7 – Distribution of Attendance Shifts (01/00) for September 11-30 By Type and By Region

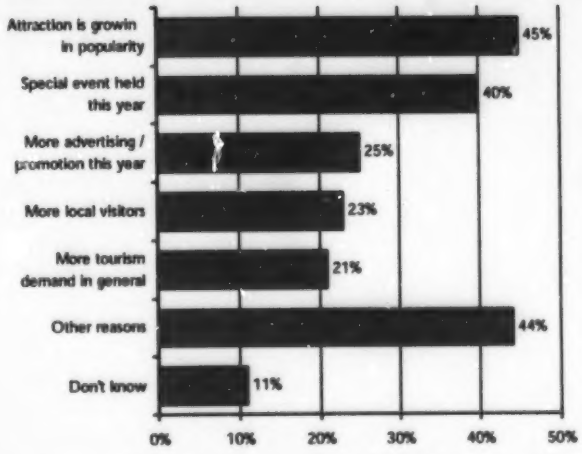
>20% Increase	17%	19%	0%	27%	5%
1% to 20% Increase	0%	24%	[illegible]%	20%	12%
No change	48%	8%	[illegible]%	0%	9%
1% to 20% Decrease	17%	15%	9%	0%	18%
> 20% Decrease	17%	35%	87%	53%	55%
>20% Increase	0%	14%	32%		12%
1% to 20% Increase	2%	26%	6%		4%
No change	21%	1%	23%		11%
1% to 20% Decrease	23%	11%	19%		3%
> 20% Decrease	54%	48%	19%		70%

Note: Excludes attractions that were open in 2001 but closed in 2000. Results should be interpreted with caution due to the small sample sizes.

Attendance Gains

As seen above, 21% of attractions actually experienced a gain in attendance during the September 11 to 30th period over the previous year. Exhibit 8 shows that these increases were primarily seen among attractions that were already growing steadily in popularity and for those that held a special event this year. Some attractions reported more local visitors than normal this year, which could be a result of Ontarians deciding to stay closer to home in the aftermath of the September 11th events.

Exhibit 8 – Reasons for Increase in Attendance September 11 to 30

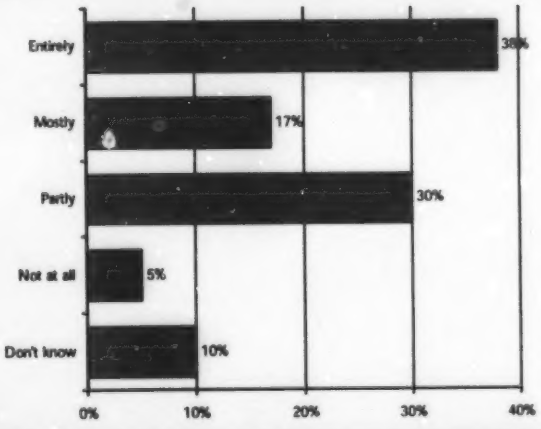


Note: Percentages may sum to more than 100% due to multiple responses. Base is attractions with attendance increases. n = 27

Attendance Declines

Exhibit 9 shows that 55% of the attractions suffering attendance declines during the September 11 to 30 period attribute this entirely or mostly to the September 11th events. Approximately 30% felt the losses were only partly attributable to September 11, with other factors such as the economy coming into play.

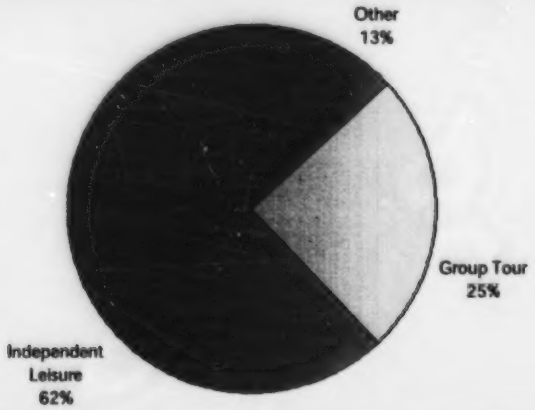
Exhibit 9 – Respondent Attribution of September 11 to 30 Attendance Declines to September 11 Events



Note: Base is attractions with attendance decreases. n = 45

On average, attractions reporting a decline in attendance felt that 62% of the losses came from independent leisure travellers and 25% came from group tours (see Exhibit 10).

Exhibit 10 – Type of Visitors Lost September 11 to 30



Note: Base is attractions with attendance decreases. n = 43

Estimation of Attendance and Revenue Losses For the Attractions Sector in the Month of September Due to September 11th Events

Estimated Attendance Losses Due to September 11th Events

One way to estimate attendance losses in the latter part of September as a result of the September 11th events is to determine the expected attendance for the period based on the attendance of the previous year, assuming that the percentage change for the last part of September would have been the same as for the first part of the month had the events not occurred. This method of estimation attempts to take into account both seasonality (by using last year's September 11 to 30 attendance as a base) as well as economic and other factors affecting tourism demand this year (by factoring in the percentage change over last year's attendance in early September).

Simply put, if an attraction saw a 5% gain in attendance over last year in the first part of September, then their expected attendance in the September 11 to 30 period is estimated to be 5% up from last year. The difference between the expected value and the actual attendance for the attraction is then calculated. Doing this on a case-by-case basis and then summing across all attractions provides an estimate of the net change in total attendance for the sector due to the September 11th events.

As shown in Exhibit 11, the total attendance for the attractions sector in the latter part of September should have been around 1,693,000, but was only 1,320,000, indicating a loss of roughly ***373,000 visitors*** due to the terrorist events. In other words, the actual attendance in

the latter part of September was down about 22% from what would have been expected had the events not occurred.

Exhibit 11 - Estimation of Attendance Losses for Attractions Sector For September 11 - 30 Due to September 11 Events	
Expected September 11 to 30, 2001 Total Attendance	1,693,363
Actual September 11 to 30, 2001 Total Attendance	1,320,064
Estimated Attendance Losses September 11-30 Due to September 11 Events	-373,299
% Change in Attendance (Actual/Expected)	-22.0%

As shown in Exhibit 12, certain types of attractions and regions suffered worse losses (relative to expected levels) during the September 11 to 30 period as a result of the terrorist events. Most notably, wineries were down 44% from expected volumes.

Exhibit 12 - Estimated Attendance Losses for Attractions Sector For September 11-30 Due to September 11 Events By Type and Region					
Attendance Losses Sept 11-30 Due to Sept 11 Events	-62,949	-122,666	-16,839	-66,847	-103,997
% Change in Attendance (Actual/Expected)	-32.6%	-30.3%	-4.4%	-43.9%	-18.5%
Attendance Losses Sept 11-30 Due to Sept 11 Events	-26,835	-172,212	-57,238	-117,013	
% Change in Attendance (Actual/Expected)	-23.4%	-23.4%	-25.9%	-18.9%	

Note: Results should be interpreted with caution due to the small sample sizes.

Estimated Revenue Losses Due to September 11th Events

Attractions that experienced a drop in attendance in the September 11 to 30 period this year over last, reported that they lost a total of $8,306,573. This is associated with a drop of 449,410 visitors among these same attractions (note that other attractions experienced visitor gains so that the net loss was only about 357,000 visitors, as shown in Exhibit 1). Consequently, the average amount lost per visitor works out to about $18.48. Multiplying this by the 373,299 visitors lost as a result of September 11th events suggests that an estimated ***$6.9 million*** was lost by the sector due to the terrorist events (see Exhibit 13).

Exhibit 13 - Estimated Revenue Losses For Attractions Sector For September 11 to 30 Due to September 11 Events	
Total Revenue Losses (among those with declines)	$8,306,573
Total Visitor Losses (among those with declines)	449,410
Average Amount Lost Per Visitor	$18.48
Estimated Total Visitors Lost as a Result of September 11 Events	373,299
Estimated Total Revenues Lost as a Result of September 11 Events	$6,898,565

Meetings/Conventions/Corporate Events

About half of the attractions in the survey population host meetings, conventions or corporate events. Each of these attractions were asked to indicate the total number of event cancellations (that had not been rebooked) in each of the four periods, as well as the number

of participants involved in the cancelled events. Respondents were also asked to estimate the total event revenues lost in the September 11 to 30 period.

Total Event Cancellations

Exhibit 14 shows that 522 events scheduled for September 11 to 30, involving over 47,000 participants, were cancelled sector-wide. Not all of these cancellations are attributable to the terrorist events, since some cancellations were seen in the periods prior to September 11. However, the cancellation rate jumped notably after September 11 (by an order of magnitude). The cancellation rate is even higher for October (based on events cancelled to date), but these tend to be much smaller events involving fewer participants.

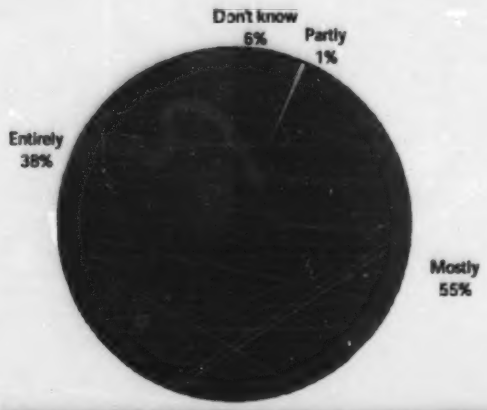
Exhibit 14 – Event Cancellations and Total Participants Involved

Total Number of Events Cancelled	27	28	522	1,261*
Cancellation Rate Across Sector (events/day)	0.87	2.8	26.1	40.7
Total Number of Participants Involved	1,107	1,003	47,707	15,188

*Events scheduled for the month of October cancelled as of the first week of October.

Exhibit 15 shows that 93% of the attractions that experienced cancellations of September 11 to 30 events attributed these cancellations entirely or mostly to the terrorist activities in the U.S.

Exhibit 15 – Respondent Attribution of September 11-30 Event Cancellations to September 11 Events



Note: Base is attractions that host events and had cancellations of September 11 to 30 events (n=25). 0% said Not At All.

Estimation of Event, Participant and Revenue Losses in the Month of September Due to September 11

There are two ways to estimate how many of the 522 cancelled events in the September 11 to 30 period arose because of the terrorist activities. The first, and simplest, assumes that events would have continued to be cancelled at the rate of 2.8 events per day sector-wide.

In this case, 56 cancellations might have been expected in the latter part of September as part of the normal course of doing business. This suggests that ***466 events***, accounting for around ***42,600 participants***, were lost by the sector as a result of the September 11 events.

A second way of estimating losses is to do so on a case-by-case basis, taking into account the respondent's attribution of the cancelled events to September 11th. "Entirely attributable" would mean 100% of that attraction's cancelled events/participants would be counted, "mostly" would mean 80% would be counted, and "partly" would mean 50% would be counted. Such an analysis suggests that ***441 to 453 events*** (some said don't know) or ***42,500 to 43,300 participants*** were lost by the sector as a result of September 11. Thus, both estimation methods yield remarkably similar figures.

As shown in Exhibit 16, the estimated event revenue losses due to September 11 (based on an average loss of $21,255 per event) amount to somewhere between ***$9.3 and $9.9 million***.

Exhibit 16 - Estimated Total Event Revenue Losses For Attractions Sector for September 11 to 30 Due to September 11 Events

Total Event Revenue Losses (among those with cancellations)	$11,095,068
Total Event Cancellations (among those with cancellations)	522
Average Revenues Lost Per Event	$21,255
Estimated Total Events Lost as a Result of September 11 Events	441 to 466
Estimated Total Revenues Lost as a Result of September 11 Events	$9,373,455 to $9,904,830

Conclusion

In summary, the attractions in the survey population lost approximately 373,000 visitors and $6.9 million in associated revenues in the latter part of September due to the September 11th terrorist events. A further $9.3 to $9.9 million was lost due to the cancellation of some 440-470 meetings, conventions and corporate events in this same period. Moreover, since many large attractions in Ontario (e.g., the Ministry's own attractions and non-managed attractions) are not included in this analysis, the total sector losses are likely much higher than cited here.

Despite these losses, many attractions are optimistic towards October. Fewer attractions are anticipating attendance losses in October and the losses that do occur are expected to be less severe. In fact, if respondent forecasts pan out, visitor attendance for the sector as a whole is anticipated to return to virtually normal levels in October (although individual attractions will still see losses). This may be partly due to the normally higher proportion of visitors from within the province in the fall months, with intra-provincial travel less likely to be affected in a prolonged fashion. In fact, intra-provincial travel may even increase as a result of Canadians foregoing U.S. or overseas trips in favour of trips closer to home.

Event business for the attractions sector may be slower to recover, with over 1,200 cancellations already seen for October. However, these tend to be smaller events with fewer participants than those cancelled in the latter part of September, so the revenue losses may not be as severe.